

MULTIMEDIA



UNIVERSITY

STUDENT IDENTIFICATION NO

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MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

BFN3084 – INTERNATIONAL FINANCE

(All sections / Groups)

16TH OCTOBER 2018

2.30p.m. – 4.30p.m.

(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Questions paper consists of 3 pages with 4 Questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1 (25 MARKS)

- (a) Question (i), (ii), (iii) and (iv) are referring to the below table.

Country	USD equiv.		Currency per USD	
	Tuesday	Monday	Tuesday	Monday
U.K. (Pound)	1.7368	1.7424	0.5758	0.5739
1 Month Forward	1.7369	1.7425	0.5757	0.5739
3 Months Forward	1.738	1.7434	0.5754	0.5736
6 Months Forward	1.7409	1.7461	0.5744	0.5727
Canada (Dollar)	0.8667	0.8653	1.1538	1.1557
1 Month Forward	0.8674	0.866	1.1529	1.1547
3 Months Forward	0.8688	0.8674	1.151	1.1529
6 Months Forward	0.8708	0.8693	1.1484	1.1504
Japan (Yen)	0.008518	0.008495	117.3985	117.7163
1 Month Forward	0.008548	0.008525	116.9864	117.3021
3 Months Forward	0.008616	0.008593	116.0631	116.3738
6 Months Forward	0.008724	0.0087	114.6263	114.9425
Switzerland (Franc)	0.7648	0.7652	1.3075	1.3068
1 Month Forward	0.767	0.7674	1.3038	1.3031
3 Months Forward	0.7718	0.7722	1.2957	1.295
6 Months Forward	0.7791	0.7794	1.2835	1.283
Euro	1.2000	1.1906	0.8333	0.8399

- (i) Using the above table, what is the Switzerland dollar-euro spot cross exchange rate? **(5 marks)**
- (ii) Using the table what is the 6-month forward British pound-Canada cross-exchange rate? **(5 marks)**
- (iii) Using the table what is the 3-month forward Canada dollar-yen cross-exchange rate? **(5 marks)**
- (iv) Using the table, what is 6-month forward premium or discount (expressed as an annual percentage rate) for the Canada dollar in terms of U.S. dollars? **(5 marks)**
- (b) What are the differences between bond and equity? **(5 marks)**

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QUESTION 2 (25 MARKS)

- (a) Susan wanted to invest \$1,000,000 for six months. The six-month interest rate is 10 percent per annum in the United States and 8 percent per annum in Italy. Currently, the spot exchange rate is €1.10 per dollar and the six-month forward exchange rate is €0.88 per dollar. How much profit she will makes from this transaction? (9 marks)
- (b) What are the advantages and disadvantages of countertrade? (10 marks)
- (c) What is a forfaiting transaction? (6 marks)

QUESTION 3 (25 MARKS)

Anne has a shop lot in Liverpool, United Kingdom. She plans to sell the shop lot next year. If there will be a bull market in British economy next year, the shop lot will be worth £3,000, and one British pound will be worth \$1.70. If there will be a bear market next year, the shop lot will be worth less, £2,000, but the pound will be stronger, \$2.10/£. British economy will experience a bull market with a 70 percent probability and a bear market with a 30 percent probability.

- (a) Estimate your exposure b to the exchange risk. (16 marks)
- (b) Compute the variance of the dollar value of your property that is attributable to the exchange rate uncertainty. (9 marks)

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QUESTION 4 (25 MARKS)

A British subsidiary, Megan Makel keeps its books in pound sterling, is translated into U.S. dollars, the reporting currency of the U.S. MNC. The table presents the balance sheet in pound sterling. The historical exchange rate is \$3.00/£1.00 and the spot rate is \$2.00/£1.00. Fill out the missing entries that translate the below balance sheet. Please write the answer in your answer booklet.

Balance Sheet	Local Currency	Current / Noncurrent	Monetary / Nonmonetary	Current Rate
Cash	£3,100			
Inventory (Current Value = £2800)	£2,500		7,500	
Net Fixed Assets	£4,000			
Total Assets	£9,600	23,200		
Current Liabilities	£2,200			
Long-Term Debt	£2,800			
Common Stock	£3,700			
Retained Earnings	£ 900			1,000
Cumulative Transfer Adjustment (CTA)				
Total Liability & Equity	£9,600			

(25 marks)**End of Page**

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